Weekly Economic Review

Earnings lower on goods sector weakness

Average Weekly Earnings

Goods sector weighs on earnings

Average weekly earnings (AWE) remain soft. They declined for the second consecutive month in February and were down 1.2% year-over-year (y/y) (Chart 1). The weakness was driven by the goods sector (-2.6% y/y) which, for the second month in row, were weaker than earnings in the service sector (-0.6% y/y). Even with the year-over-year decline in earnings, Alberta continues to have the highest average weekly earnings among the provinces.

Rigs Drilling

Spring break-up ongoing

The number of rigs drilling in Alberta slowed in April due to spring break-up. There was an average of 85 active rigs drilling in the province throughout the month, about 60% less than during the height of the winter drilling season in January. Despite the seasonal weakness, the rig count nearly tripled from the same month last year. Rig utilization also recovered from low levels seen during the downturn, averaging 19% throughout the month. Rigs drilling has picked up throughout 2017, with both rig counts and utilization more than doubling.

Metres Drilled

Drilling continuing to recover

Total metres drilled, which is released with a two-month lag compared to rigs drilling, doubled from a year prior in February, reaching 1.3 million metres (Chart 2), the highest level for the month since 2014. Metres drilled for conventional oil were up 276% y/y and 65% y/y for bitumen, spearheading the growth. Despite the improvements, metres drilled for oil remain about 40% below 2014 levels. Gas drilling was also strong, with metres drilled up 53% y/y, reaching the highest level for the month of February since 2011.

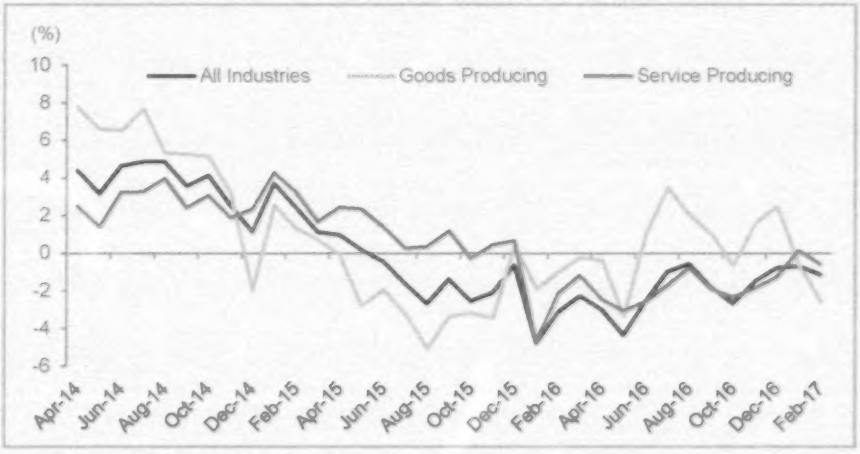
Retail Sales

Concentrated growth in retail

After six consecutive months of growth, retail sales pulled back slightly in February. They declined 0.3% month-over-month (m/m), largely on lower gasoline prices.

Chart 1: Goods sector source of earnings weakness

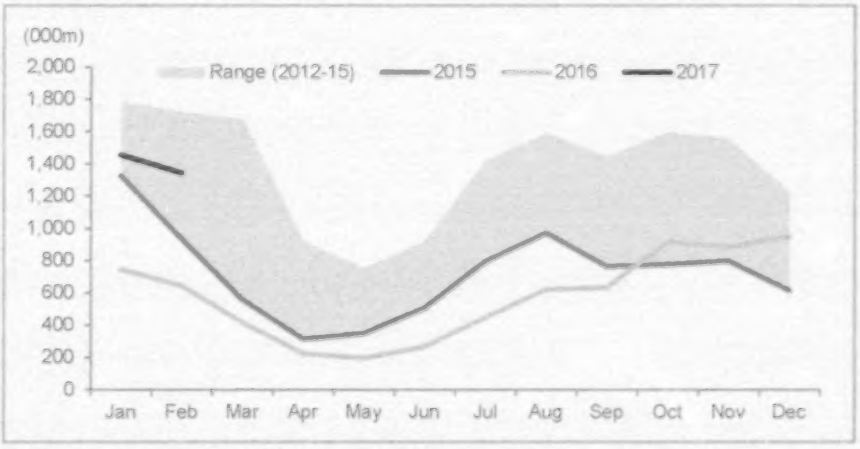
Year-over-year change in Alberta average weekly earnings by industry



Source: Statistics Canada

Chart 2: Metres drilled more than double from last year

Year-over-year change in Alberta total oil and gas metres drilled



Source: Alberta Energy Regulator

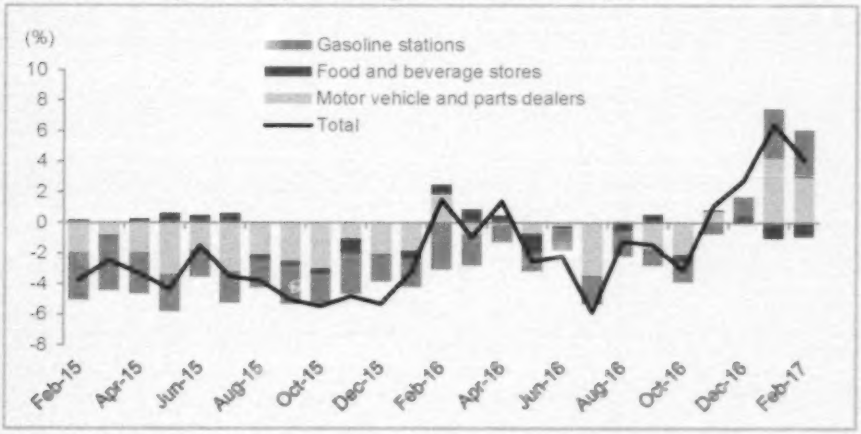
Despite the monthly pullback, retail sales are now 7.4% higher than the seasonally adjusted low reached in July 2016 and continue to improve on a year-over-year basis, up 6.3% y/y in February (Chart 3). The improvement, though, continues to be confined to improving sales at motor vehicle and parts dealers (+10.6% y/y) and gasoline stations (+29.0% y/y).

Wholesale Trade

Broad-based wholesale growth

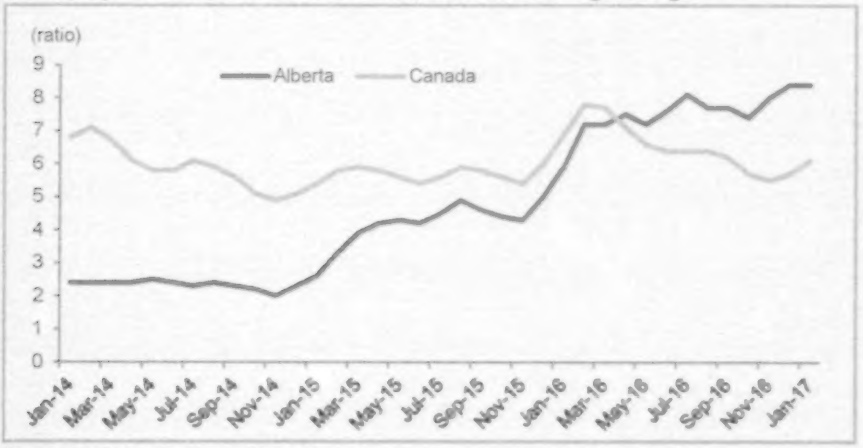
Alberta's wholesale trade increased for the fifth consecutive month to the highest levels since June 2015. Wholesale trade increased 2.9% m/m to $6.7 billion in February as gains were observed in four of the seven major sub-sectors, led by farm product (15.5% m/m) and machinery, equipment, and supplies (+7.4% m/m) sales. The continued monthly growth pushed wholesale trade up 8.9% y/y.

Chart 3: Retail sales fueled by gasoline and motor vehicle and parts
Contribution to year-over-year change in Alberta retail sales



Source: Statistics Canada

Chart 4: Job openings not keeping pace with job seekers
Unemployment-to-job vacancies ratio, 3-month moving average



Source: Statistics Canada

Job Vacancies

Employment opportunities rising

After four monthly declines, job vacancies increased in January despite being a seasonally weak period. The number of vacancies increased 1,300 in the three month period ending in January, the largest increase in the country, to reach 25,000. However, Alberta's unemployment-to-job vacancy ratio remained at a record high of 8.4 (Chart 4), and well above the Canadian rate of 6.1, as the number of people unemployed remained elevated.

Canada GDP by Industry

Canadian economy holds steady

After a strong start to 2017 the Canadian economy cooled in February. Real GDP was virtually unchanged, following one of the largest monthly gains in more than five years in January. Output from the service sector (+0.2% m/m) expanded for the 18th straight month, which was enough to offset a 0.3% m/m decline in the goods-producing sector. Manufacturing (-0.6% m/m) and mining, oil and gas (-0.2% m/m) industries gave back some of their January gains and agriculture experienced one of the biggest monthly declines in almost three years.

US GDP

US economy in low gear

The US economy slowed in the first quarter of 2017 after two strong quarters to end 2016. The US economy expanded at an annualized rate of 0.7% in the first quarter, the slowest pace since the beginning of 2014, as consumer spending decelerated and inventories reversed the previous quarter's gain. Fixed non-residential investment was a bright spot, contributing 1.1 percentage point to the annualized rate of growth, the largest quarterly contribution since 2013.

Contact

Wade Tymchak 780.415.0825

Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.